

Town of Boylston



STUDY OF REVENUES AND EXPENDITURES

Analysis of FY03 to FY09 Forecast for FY10 Recommendations

Revenue Study Committee
Presented to Board of Selectmen on

February 9, 2009

Revised to March 11, 2009

TABLE OF CONTENTS

I.	The Revenue Study Committee and Report.....	1
II.	The Period Studied	1
III.	The Immediate Crisis	1
IV.	Distinguishing Characteristics of Boylston.....	2
	A. Rural Environment	2
	B. Stable Population.....	2
	C. Conservative Spending Tradition.....	3
V.	Demographic Statistics.....	3
	A. Population Growth	3
	B. Age	3
	C. Housing Units and Families	3
	D. School Enrollments	4
VI.	Valuations and Taxes	6
	A. Assessed Valuations	6
	B. Average Assessed Home Value.....	6
	C. Tax Rate	6
	D. Commercial Taxes.....	6
	E. Residential Taxes	6
VII.	Revenue Increases from New Construction.....	7
	A. Opportunities for Commercial Construction	7
	B. Opportunities for Residential Construction	7
	C. Projects Under Way	7
VIII.	Town Employment.....	8
	A. Total Non-School Employees by Department.....	9
	B. General Government Departments (Town Hall and Administration).....	9
	C. School Department Increases (Early Childhood and SPED).....	10
	D. Staffing Counted by Program.....	10
	E. Police.....	11
	F. Highway	11
	G. Fire Department and EMTs.....	11
	H. Comparison to Similar Sized Towns	11
	I. Working Supervisors.....	12
IX.	Expenditures: FY2003 to FY2009	12
	A. School Department Expenses	13
	B. Shift in Tahanto Assessment	14
	C. Per Pupil Costs	14
	D. Benefits and Insurance Costs	16
	E. Public Safety Expenses	16
	F. Bonded Indebtedness.....	17
	G. Capital Expenditures	17
	H. All Other Expenses.....	17
	I. Frequently Repeated Myths about Town Expenditures.....	18
X.	Revenues: FY2003 to FY2009	18
	A. State Aid: Chapter 70 School Aid	19
	B. Lottery Aid	19
	C. Local Receipts	20
	D. Local Tax Levies	20
	E. Transfers Required to Balance Budget.....	20

XI.	Grants and User Fees.....	20
A.	Police Department	20
B.	Fire Department.....	20
C.	Parks and Recreation	20
D.	Gough House.....	21
E.	Schools	21
XII.	Conclusions from the Analysis of FY2003 to FY2009.....	21
XIII.	Revenue and Expense Forecasts for FY2010 to FY2011	22
A.	How the Revenue Forecast Is Determined	22
B.	The Revenue Forecast for 2010 and 2011	23
C.	How the Expense Forecast Is Determined.....	24
D.	The Budget Forecast for 2010.....	24
E.	Anticipated New Funds for FY2010	24
F.	Several Risks in Budget	24
XIV.	Recommendations for Future	25
A.	Find New Sources of Revenue	25
B.	Make Expense Reductions	26
XV.	2010 Budget Year.....	27
A.	If an Override is Proposed.....	27
B.	Reduction in Services	27
XVI.	Revenue Study Committee Recommendation	28
XVII.	Appendix A: Terms Used in Municipal Finance	29

I. THE REVENUE STUDY COMMITTEE AND REPORT

It is important to note that this Report is a living document subject to modification as circumstances change and information is updated.

In view of the widespread economic downturn and the budgetary problems in Boylston for the past several years, the Board of Selectmen requested the formation of a Revenue Study Committee to analyze Town revenue and expenditure records for the period 2003 to 2009 and to project revenues and expenditures for 2010 to 2011. The stated objective of the Committee was to present a comprehensive and clear study of the financial realities faced by the Town and to explain the options for meeting the future fiscal requirements.

With the goal of obtaining an unbiased study and report, the Selectmen nominated citizens of various ages and interests along with a mix of town officials to serve on the Committee. The Revenue Study Committee is comprised of Herbert F. Cronin, Chair and Finance Committee member; Frank Reale, citizen; Richard Reardon, citizen; Marla Lyon, citizen; Brian McDermott, Superintendent of Schools; Dan Haynes, Town Accountant; Roger Deal, Selectman; and Joseph Connelly, Interim Town Administrator. Mr. Connelly was succeeded by Nancy Colbert, the new Town Administrator, on December 15, 2008. The Committee began its study October 23, 2008 and presented the final report to the Board of Selectmen on March 23, 2009.

II. THE PERIOD STUDIED

The period studied covers the fiscal year beginning July 1, 2002 (FY03) through the fiscal year ending June 30, 2008 (FY09). This time period was selected as FY03 marks the last fiscal year in which the State fully funded certain State mandated spending programs. Since that time, a combination of diminishing proportions of State aid and increasing costs of the mandated programs has contributed to a severe revenue shortfall.

The period 2003 to 2008 is the base period for the data presented in this report, and this can be assumed to be the period referenced unless otherwise stated. Some data was not yet available for 2009, so the most recently available figures were used and so identified. All data comes from the Annual Town Report, State historical records, departmental records, the Annual Town Census, and other sources as specified on each table. Readers should note that, in a report such as this which cites data from several different sources, there can be a few minor inconsistencies when the same data is obtained from different sources and compared. Since the income and expense figures for this report were determined in late 2008 or early 2009, the figures presented will not precisely match current numbers as they continue to change through the budget process.

III. THE IMMEDIATE CRISIS

The Committee believes the Town of Boylston, like many similar towns throughout the State, will face a fiscal crisis for the next several years. The Town continues to experience increases in operating expenses, especially in the mandated costs such as health costs and State education

funding requirements. For the past several years mandated costs have increased at a rate higher than the increase in State aid. Local receipts such as fees and automobile excise taxes are diminishing; new construction (both residential and commercial) is at a virtual standstill. It is projected that increasing costs and declining revenues might result in a budget shortfall for the next several years.

If the nature of the shortfall were to be a limited one, a town would usually be able to make up the difference by taking money from town accounts such as free cash and stabilization.

It is very apparent that the Town will need to identify additional revenue sources or make reductions in expenditures during the budgeting process for the next several fiscal years. In order to help make reasonable decisions about the budgets and tax levies, an analysis of recent financial trends is provided in this report. The School Department accounts for the largest part of the analysis because the School Department has by far the largest budget and the greatest number of employees.

IV. DISTINGUISHING CHARACTERISTICS OF BOYLSTON

Before analyzing the flow of revenues and expenses for the recent several years, it may be helpful to consider some of the characteristics that make Boylston a somewhat unique community.

A. Rural Environment

Many Boylston residents enjoy the rural aspects of the town, the lack of heavy traffic, massive apartment complexes, busy shopping centers, crowded industrial areas, and the noise and activity of areas closer to the city. However, the very characteristics that make Boylston attractive, such as the absence of industrial and commercial activity, mean that the principal source of tax revenues is from residential property. Only 7.9% of the tax levies come from commercial and industrial real estate properties (subsequently referred to as “commercial” to avoid unnecessary repetition).

One factor contributing to the rural nature of the Town is the large amount of land owned by the Commonwealth of Massachusetts. Of the 12,645 acres of land in Boylston (not including the reservoir), 4,983 acres belong to the Department of Conservation and Recreation (DCR) and 244 acres to other state agencies. Approximately 42% of Boylston’s land is owned by the Commonwealth and can not to be used for residential and commercial development. The undeveloped, forested area protects the watershed of the Wachusett Reservoir, the drinking water supply for Boston and the Metro-West area. Therefore, while it may appear to the casual observer that there is a large amount of uninhabited land for future development, the fact is only a small amount of land is actually available for development at this time.

B. Stable Population

Boylston, unlike many surrounding communities, has a stable population with many long term residents. Growth in the town population has been slow with only a 5.5% increase from 2003 to 2008.

C. Conservative Spending Tradition

The Town of Boylston has a tradition of conservative financial operations. A large number of residents are permanent inhabitants with a long term interest in the town, as opposed to some neighboring towns which often seem to have a more transient population. In recent years, Boylston has been reluctant to approve major capital expenditures. As a result, the Town of Boylston has a low level of bonded indebtedness and is therefore better able to withstand bad economic times than towns that have borrowed heavily and now have debt payments that cannot be avoided.

The Town has a history of rejecting Proposition 2 ½ overrides, and only one has been approved since 2000. In FY09, Boylston's average single family tax bill was ranked 83rd out of 319 communities throughout the Commonwealth. Therefore, its residential tax bills are above the median value for most communities.

V. DEMOGRAPHIC STATISTICS

A. Population Growth

As shown in the table below, Boylston has experienced low population growth between 2003 and 2008. Boylston had 4,080 residents in 2003, and the current population in 2008 is 4,300, which represents an average growth rate of less than 1% per year.

Table 1: Population Statistics

YEAR	POPULATION	GROWTH
2003	4,080	.1%
2004	4,100	.5%
2005	4,150	1.2%
2006	4,200	1.2%
2007	4,235	.8%
2008	4,300	1.5%

Source: Annual Town Census

B. Age

The number of senior citizens (60 +) has grown by 128 from 711 (17.4% of the population) in 2003 to 839 in 2008 (19.5% of the population). The total number of children (which includes all children from birth to age 18) has grown by 33 from 894 in 2003 (21.9% of the population) to 927 in 2008 (21.6% of the population).

C. Housing Units and Families

The number of houses in Boylston increased from 1,376 in 2003 to 1,488 in 2008, a total increase of 112 in six years. The Committee calculated the number of persons per household and the number of children per household by dividing the number of persons and the number of children by the number of housing units as determined from the Assessor's records. Both numbers declined very slightly, ending at 2.89 adult persons per housing unit and 0.62 children per housing unit.

D. School Enrollments

There are 774 children of school age in Boylston in 2008. Of the 774, there are 103 children attending private schools at parental expense or are home schooled. This leaves 671 students enrolled in the public school system, the cost of their education paid by Boylston. The number of children enrolled in the Boylston public schools (BES and Tahanto) increased by 19 to 633 between FY03 and FY08. There are 38 additional students in the Boylston system in 2008 who do not attend BES or Tahanto, but who do attend other out-of-district public schools (for example; Assabet Vocational Tech, School Choice, or Charter Schools) to which Boylston must pay the full cost of the tuition.

Table 2: Student Populations

STUDENTS	FY03	FY08	INCREASE
Total School Age Children (K-12) in Boylston	721	774	53
Less Attending Private Schools	80	90	10
Less home Schooling	10	13	3
Net Students in Public School System	631	671	40
Attending Boylston Schools (BES and Tahanto)	614	633	19
Attending Assabet Vocational Technical	14	22	8
School Choice to Other Towns	3	7	4
Attending Charter Schools		9	9
Total	631	671	40

Source: School Department and U.S. Census

A brief description of the different types of schools that the Boylston resident children are attending may be useful.

Boylston Schools: This includes both the Boylston Elementary School (BES) and Tahanto Regional Middle/High School.

Other Public Schools: Vocational Technical Schools, Charter Schools and School Choice (sometimes referred to as “out-of-district” schools). It should be noted that a student leaving a Boylston school for one of these other schools does not create any reduction in cost to the Boylston schools, but it does result in Boylston educational dollars that must be sent to other districts as tuition payments.

Vocational Technical Schools – In FY08 there were 22 students who chose to attend Assabet Vocational Technical High School. At that time the tuition for each student attending Assabet was \$13,394 per year. In FY09 there are now 31 Boylston students attending Assabet for an increase in students of approximately 35% from FY07 to FY08 and another increase of almost

40% from FY08 to FY09. The total increase in vocational school enrollment between FY03 and FY08 represents an increase of approximately 60%.

School Choice – This program was created through the Ed Reform Act of 1993. It allows a school district to accept students from other public Massachusetts schools. There is a formula that is used to determine the school choice tuition rate with a maximum tuition rate of \$5,000. From the inception of this program, the Boylston Public Schools has been receiving \$5,000 for each school choice student that comes from another community and attends the Boylston Schools. There is also an additional amount of funding provided for special education students that choice into our schools. In FY09, Boylston Elementary School used \$211,093 to support the budget from the School Choice account. Of this amount, \$120,000 came from the 24 choice “in” students attending Boylston Elementary School in 2009, and the balance came from funds received from prior years.

- School Choice “In,” that is the acceptance of students from other towns, is subject to the policy of a school department. If there are fewer students in a school than the maximum number that could be accommodated, the school department may decide to accept a specified number of choice “in” students. The number of students that may be accepted is determined by the projected available classroom space, and students from other towns may submit applications for admission. Although the Town only receives \$5,000 per student, it is generally accepted that there is no extra cost as long as there is excess capacity. However, there has been a long standing concern about the exact number of choice “in” students that can be accepted without increasing costs. The School Superintendent proposes to undertake a detailed study of this issue during the spring of 2009.

Charter Schools – These are public schools that are governed by a board of directors and not a school committee. These schools receive tuition that is based on a formula that is used to determine the amount that the sending district spends on the education of the pupils in its district plus an additional amount for facilities. In other words, Boylston Elementary School has to pay a calculated tuition of \$10,211 (FY08) for an elementary student to attend a charter school. Additionally, the Department of Education has determined that an appropriate facilities charge of \$849 must be added. The calculated tuition plus the facilities charge results in the tuition determined for each student attending a charter school of \$11,060.

Private Schools and Home Schooling - Costs for private schools and for home schooling are paid by the parents, not by the Town. There are 103 children enrolled in these programs at the present time.

VI. VALUATIONS AND TAXES

Table 3: Valuation and Taxes

DESCRIPTION	FY03	% OF TOTAL	FY08	% OF TOTAL
Total Valuation	\$425,314,620	100%	\$729,054,740	100%
Residential	\$380,761,554	89.5%	\$663,921,764	91.1%
Commercial	\$38,801,446	9.1%	\$55,631,376	7.6%
Personal	\$5,751,620	1.4%	\$9,501,600	1.3%
Total Tax Levy	\$5,546,102	100%	\$8,340,386	100%
Residential Taxes	\$4,965,131	89.5%	\$7,595,265	91.1%
Commercial Taxes	\$505,970	9.1%	\$636,423	7.6%
Average Home Value	\$263,352		\$420,477	
Average Single Family Tax Bill	\$3,434		\$4,810	
Tax Rate (per \$1,000 of assessed value)	\$13.04		\$11.44	

Source: Annual Town Reports

A. Assessed Valuations

Assessed valuations increased 71% between FY03 and FY08, with much of this growth resulting from the increase in the value of existing houses. There was a construction boom in 2004 to 2007. The Assessor's records show an addition of 112 new houses during the study period.

B. Average Assessed Home Value

The average assessed home value increased by 40% from \$263,352 in 2003 to \$420,477 in FY08. As a result of the ongoing economic decline, the assessed value of houses will probably decline in the near future.

C. Tax Rate

The tax rate has remained fairly constant. The tax rate in FY03 was \$13.04 per \$1,000 of assessed valuation and in FY09 the tax rate is \$12.40. The increase in tax levies resulted from the increase of home valuations, not from tax rate increases.

D. Commercial Taxes

Commercial tax levies decreased from 9.1% of the total valuation in FY03 to 7.9% of the total valuation in FY08.

E. Residential Taxes

The lack of commercial development caused a shift of the tax burden from commercial taxes to homeowner taxes. In 2008, the homeowners paid 91.1% of the total tax levy by means of real estate taxes, up from 89.5% in 2003.

VII. REVENUE INCREASES FROM NEW CONSTRUCTION

A. Opportunities for Commercial Construction

Commercially-Zoned Areas: The commercially-zoned areas are generally located on Route 140 from the I-290 overpass to the intersection of Route 70. There is land in this area that could be developed; however, it should be noted that much of this land is privately-owned.

Town Property: This is the most promising opportunity for future commercial construction and taxpayer relief. The development of Town owned land has great financial implications for the future. The Town, however, must undertake a comprehensive program of promotion and solicitation of commercial development if this is to be successful, because the Town has to compete with other neighboring towns for the same projects.

The Town owns several large and valuable tracts of land. Largest and most important is the Hillside property, a tract of 282 acres that is owned outright by the Town. Bond restrictions on this property prevented any sales of acreage until the year 2009. The restrictions against sales are believed to expire in 2009, though a legal review of the restrictions is advisable. Several easements and existing Town buildings will reduce the amount of land that might be made available for sale. However, the bond agreement does require paying down the outstanding balance of the bonds before the Town can receive any money from the sale of property. The remaining balance of the Hillside debt is \$1,400,000 and the principal balance is declining by \$140,000 per year.

A second important site is the Pop Warner football field at the intersection of Routes 70 and 140. This is in a commercial and industrial zone and should, under normal circumstances, command a high price. Due to the present depressed market, it may be wise to do nothing for some time until prices improve. Additionally, there are numerous smaller parcels owned by the Town that could possibly be sold.

B. Opportunities for Residential Construction

According to Multiple Listing Service records, there were only eight building lots for sale in late 2008. There is also land with street frontage that could be sub-divided if the owners were to seek approval from the Planning Board.

Boylston does have tracts of landlocked property that could be developed if a developer were to build the roads and infrastructure. Residential development by large real estate developers accounted for most of the new construction during the real estate boom. In 2000, the Town attempted to limit the construction of new houses by placing a limit on the number of new building permits that would be allowed each year. This limit expired in 2005, but it did reflect the desire of residents to try to maintain the rural character of Boylston, at least at that time.

C. Projects Under Way

Residential: There were three new homes under construction as of December 2008.

Commercial: There are no commercial or industrial construction projects currently under development. The ones that were in progress have been suspended. A pizza shop will be

located in the Clinton Saving Bank building on Route 140. The Phillips building on Rte. 140 is nearing completion and tax incentives for this project were approved by the voters at the December 12, 2008 Special Town Meeting.

VIII. TOWN EMPLOYMENT

Personnel costs account for the largest portion of the Town's expenditures. It is useful to tabulate the number of employees by department to understand where staff increases have occurred. This can provide the answers to the following questions:

- 1) Of the total full-time employee increase, which Departments hired the additional staff and how many were added?
- 2) Why did the Departments grow? Were services improved, or were new services provided?

Employees are counted as the sum of full time employees and part time employees. A Full Time Employee Equivalent (called an FTE) works a minimum of 40 hours per week. A person working half time counts as .5 FTE, two thirds time as .67. Part time people working only on an on call basis are not counted, since these people have only a small impact on expenses, and do not receive insurance and retirement benefits. Table 4 presents the number of employees by department.

Counting the FTEs employed by the School Department is a difficult task because many School Department employees work for the Boylston-Berlin Regional School District and are paid in part by Berlin. The FTE counts in Table 4 are shown as the gross number of employees at the Boylston Elementary School and Tahanto less an adjustment which attempts to account for the FTEs paid by Berlin. The adjustment is shown as the "Tahanto Adjustment" in Table 4.

For the purpose of analyzing the growth in the School Department staff, the staff counts are shown by the "Program" (type of work or assignment) and the Tahanto staff is not separated out of the totals (see Table 4).

Table 4: Staffing (Estimated Adjustment for Berlin)

DEPARTMENTS	FTE COUNT IN 2003	% OF TOTAL TOWN STAFF IN 2003	FTE COUNT IN 2008	% OF TOTAL TOWN STAFF IN 2008	INCREASE
Schools					
Grand Total: Boylston + Admin +Tahanto	115.97		130.22		14.25
Central Office	7.5		6.6		
Administration	6		6.0		
Instruction	82.07		84.06		
Special Ed	19.40		29.06		
Preschool	1.00		4.5		
Less Staff paid for by Berlin	(22)		(22)		
Net Boylston Schools	93.97	77.3%	108.22	77.6%	
Non-School					
Fire	1	0.7%	3	1.9%	
Police	9	6.3%	10	6.2%	
Police Sec.	0.7	0.5%	0.7	0.4%	
Dispatch	3	2.1%	3	1.9%	
Highway	5.5	3.8%	5.5	3.4%	
Gen. Govt.	8.5	5.9%	9	9.0%	
Total Non-School	27.67	22.7%	31.2	22.4%	3.5
TOTAL STAFFING	121.6	100.0%	139.4	100.0%	17.75

Source: Department records

Notes for Table 4

- 1: Tahanto adjustment based on a split between Boylston 68% and Berlin 32%.
- 2: Fire Department 2003 count set at one FTE to reflect costs of on-call Firemen and EMTs.
- 3: There are three full time dispatchers, two on call for emergencies, and one no-benefit part time dispatcher.

A. Total Non-School Employees by Department

Not counting the School Department, the Town of Boylston had 27.7 FTE employees in 2003 and 31.2 in 2008.

B. General Government Departments (Town Hall and Administration)

The total number of employees in the General Government function increased from 8.5 FTEs in FY03 to 9.0 FTEs in FY08, with a net gain of 0.5 FTEs.

However, the total number of persons involved in Town government is far greater than the number of FTEs indicated in Table 4. Many people contribute their time to Town government

for no compensation at all, or for an amount that is only symbolic. Most Town boards are comprised of unpaid members. As a result, unpaid volunteers have no direct financial impact on Town expenses.

C. School Department Increases (Early Childhood and SPED)

Overall the School Department's staffing has increased between FY03 and FY08 by approximately 12%. However, this growth is due to two areas, early childhood and special education (SPED) programs. While the growth in early childhood programs has not substantially increased expenses (because most of the preschool and the afternoon kindergarten programs are tuition based), the increases in the special education staffing have increased expenditures. The increases in staffing in the special education department, along with the increases in special education tuitions paid to non-school department providers, are primarily due to two factors: the first comes from the increased level of services that school districts across the Commonwealth are required to provide, and the second is due to an increase in the number of special education students and the SPED services that the school department must provide for these students. SPED is an extremely costly program which a town is required to provide. It is not generally realized by the public that one single SPED student can cost a school department as much as \$300,000 per year, and that the school departments may have to provide living accommodations, supervision, and medical care out of school department funds.

The administrators in the school department are reviewing the current program offerings and are working with surrounding communities and other districts in an attempt to collaborate on shared services as a way to minimize these increased costs.

D. Staffing Counted by Program

This data includes both Boylston Elementary School and Tahanto Regional Middle/High School.

Please note that, given the complexity of how the staff at Tahanto is funded (assessment percentage, central office splits, grants, etc.), the data for the Tahanto programs includes all personnel and does not breakdown the costs by regional assessment percentage.

Table 5: School Staffing by Program (All Tahanto Included)

PROGRAM/LOCATION	FY03	FY08	DIFFERENCE
Central Office Staff	7.5	6.6	-.9
Building Administration	6	6	0
Instruction	82.07	84.06	1.99
Special Education	19.40	29.06	9.66
Preschool	1.00	4.50	3.50
Totals	115.97	130.22	14.25

E. Police

The Police Department added one full time officer between FY03 and FY09. This enabled the Department to place two patrol cars on the road 24 hours per day. Police salaries were increased to a comparable level of similar communities. The Department discontinued the employment of reserve or part time officers.

F. Highway

The Highway Department did not add any employees, even though five miles of streets were added to the workload.

This appears to be an efficient Department. Equipment is used for long periods of time before replacement and the employees are experienced and effective in performing their duties. The principal non-labor expenses are for salt, sand, fuel, and other materials.

G. Fire Department and EMTs

The Fire Department was a fully on-call department in 2003. Except for the part time Chief, all duties were performed by on-call staff who were paid by the hour. As a rough measurement, we estimate that the aggregate cost in 2003 was one FTE. However, performance was not satisfactory, either for fire or for emergency medical services. Response times at the start of the period averaged 14 minutes, exceeding the state standard of 10 minutes. It was clear that the era of volunteer fire departments was fading away.

Starting in 2004, the fire department in Boylston grew from a volunteer organization to a combination of three full time employees plus the volunteers. The Department is now staffed from 6:30 am to 6:30 pm, with on-call service during the night hours when there are relatively fewer calls. Response times have improved to four to five minutes average. Partly because of this, the number of calls for ambulance service has increased, and the State now uses the Boylston ambulance service for I-290 accidents in Boylston. The charges made by the department to the recipient of the ambulance service (or to his or her insurance company) have increased from \$35,545 in 2004 to \$83,120 in 2007. The Fire Chief reports that the two year backlog in mandatory inspections has been eliminated, and inspections are now done in a timely manner.

H. Comparison to Similar Sized Towns

One of the members of the Committee contacted ten Central Massachusetts towns of a size comparable to that of Boylston, and obtained Fire and Police staffing statistics.

The Police Departments in the survey ranged from a minimum of four police officers (both full and part time) to a maximum of 18, with Boylston being the third from the lowest, employing 10 officers. The Fire Departments ranged from five to 41 full and part time employees with Boylston ranking sixth of the 10 communities described on Table 6.

Table 6: Staffing Comparison to Similar Towns

TOWN	POPULATION	FULL TIME POLICE	PART TIME POLICE	FULL TIME FIRE	PART TIME FIRE (ON CALL)
Princeton	3,523	5	8	0	30
Boylston	4,300	10	0	3	24
Hubbardston	4,352	4	0	4	22
Bolton	4,435	10	3	1	27
Paxton	4,558	8	0	n.a.	n.a.
Deerfield	4,786	8	10	1	18
Boxborough	5,062	10	3	5	30
Mendon	5,754	14	2	5	15
Upton	6,397	11	0	5	varies
Sterling	7,770	12	0	4	37

Source: Telephone calls to town administrators

Although it is difficult to compare the staffing levels because of the effect of part time or on call personnel, it does appear that Boylston fire and police departments are comparable in staffing to those of similar sized communities.

I. Working Supervisors

The Boylston Police, Fire, and Highway Departments have working supervisors rather than central office administrators. The Police Chief takes patrol duty, the Highway Superintendent works on projects, and the Fire Chief goes to fires and handles EMT calls. Fire Department personnel handle both fire and EMT functions. This is a more cost effective, efficient management style for a small town rather than having administrative supervisors who manage operations but do not participate in the actual direct public safety or highway functions.

IX. EXPENDITURES: FY2003 TO FY2009

Table 7 shows the expense and revenue trends for period between FY03 and FY09.

The budgets increased by \$2,553,010 between FY03 and FY09. The largest increases were in the schools (\$1,790,970), in insurance and benefits (\$658,743), and in public safety (\$355,874). The increases are analyzed by department in the sections following Table 7.

Table 7: Expense Trends

DEPARTMENT	FY2003 BUDGET	% OF TOTAL BUDGET	FY2009 BUDGET	% OF TOTAL BUDGET	CHANGE FROM FY2003	% INCREASE
General Government	\$643,898	7.3%	\$905,979	7.7%	\$262,081	40.7%
Benefits and Insurance	\$597,668	6.8%	\$1,195,911	10.1%	\$598,243	100.1%
Public Safety	\$1,028,724	11.7%	\$1,460,792	12.4%	\$432,068	42.0%
Public Works	\$479,116	5.5%	\$527,596	4.5%	\$48,480	10.1%
Culture and Recreation	\$176,488	2.0%	\$161,190	1.4%	(\$15,298)	(-8.7%)
Human Services	\$79,958	0.9%	\$82,674	0.7%	\$2,716	10.8%
Debt Service	\$1,050,748	12.0%	\$859,460	7.3%	(\$191,288)	(18.2%)
State Charges	\$16,906	.2%	\$48,854	0.4%	\$31,948	189%
Charter/Choice Net			\$31,026			100%
Schools	\$4,689,815	53.5%	\$6,480,785	54.8%	\$1,790,970	38.2%
Totals	\$8,763,321		\$11,754,267		\$2,990,946	34.1%

Source: Town Administrator

* BES debt service, insurance and benefits are not included in this line, but are shown in the respective categories.

A. School Department Expenses

Table 8: School Expense Trends

	FY03 AMOUNT	% OF TOTAL BUDGET	FY09 AMOUNT	% OF TOTAL BUDGET	DIFFERENCE	% INCREASE
Elementary School	\$2,662,123	29.9%	\$3,014,165	27.4%	\$479,421	18.0%
Tahanto Assessment	\$1,842,177	20.7%	\$2,941,295	25.1%	\$1,099,118	60.0%
Vocational School	\$185,515	2.1%	\$465,784	4.1%	\$279,758	150.8%

The School Department budget is made up of over 200 accounts. These line items fall into five general areas, administration, instruction and support services, student activities, maintenance and out of district tuitions. By far the largest expense across all areas is staffing. The Boylston Elementary School serves approximately 360 students (336 Boylston plus 24 choice in) each day. This requires a large organization of teachers, support staff and administration. Tahanto Regional Middle/High School serves approximately 480 students (388 Boylston and

Berlin plus 92 choice in) each day and again, this takes a substantial organization of people to ensure quality education is provided to all students.

Approximately 75% of the Boylston Elementary School budget is used for salaries. This includes all teaching, administration and support staff. Salaries in the Tahanto budget, however, make up approximately 50% of the school's budget. This is due to the fact that as a regional school district, the Tahanto budget includes all expenditures including line items that are typically included in town budgets for local district schools. For example, health insurance for active and retired teachers, capital expenditures, charter school and school choice assessments are all educational expenses that regional schools must include in the budget. For local town school districts (Boylston Elementary School) these expenses are typically included in the town's budget and are considered part of the town's required educational spending.

Table 8 on the preceding page shows a 56% increase from FY03 to FY09 in Boylston's share of the Tahanto school assessment. This increase actually happened more drastically over the past two years with a substantial increase from FY08 to FY09 in special education costs. This particular increase in expenses did not result in new expenses. They were the result of students who are tuitioned out of the district by moving from the sixth grade to the seventh grade, thereby transferring the expenses from Boylston Elementary School to Tahanto. However, in the FY2010 school year, there is an expected net increase in out of district special education tuitions of approximately \$200,000 per year for Tahanto. This includes a combination of new tuitions as well as several tuitions which are no longer required.

Another substantial increase is in the Vocational School line item. As was described in Section V, page 3, the number of Boylston students attending vocational schools has increased by 60% with the past two years of increases of 35% and 40% in FY08 and FY09 respectively.

It is our expectation that the effort to rebuild the Tahanto building and facility will enable the school department to better serve its students and staff and we anticipate a decrease in the number of students leaving our district to attend other schools.

B. Shift in Tahanto Assessment

Costs for the operation of Tahanto are split between Boylston and Berlin. The contractual agreement allocates these costs based on the proportion of students from each town on October 1st of each year. For some years, the split averaged roughly 66/34, with Boylston having the greater number of students. This split was 68/32 in 2008, because Boylston now sent more students to Tahanto and Berlin sent fewer students to Tahanto. In 2009, Berlin began to send additional students to Tahanto and Boylston fewer, and the split returned to 66/34.

In 2004, the Boylston assessment for Tahanto was \$1,842,177 and by FY09 the Boylston assessment had increased to \$2,941,295, an increase of \$1,099,118.

C. Per Pupil Costs

The average costs per pupil in Boylston (Tahanto costs plus BES costs, divided by two) are 4.5% below the statewide average cost per pupil. The averages include all costs and benefits, and are taken directly from the State Department of Education (DOE) records. The averages

for the DOE are calculated on a standard basis so all towns can be directly compared to each other.

The Department of Education calculates the per pupil expenditures for each district by dividing the total amount of expenses by the “average membership”. The average membership of students in a school includes all resident students who are attending the local schools and all school choice students attending the school. What is not generally known is that the calculation also includes any resident students who are attending other publicly funded schools that receive tuition from the local district. These schools include charter schools, vocational schools and schools that provide special education services. Therefore, the enrollment number used for the State calculation is typically larger than the number of students actually attending Tahanto or Boylston Elementary.

For example, in FY07 the enrollment of Boylston Elementary was 357 pupils. The table below shows that the number used by the Department of Education in the calculation of enrollment was 407. As a result, the reported per pupil expenditure for FY07 was \$10,393. If you used the number of students that were actually attending the school (357), the per pupil expenditure would amount to almost \$12,000. Details for Boylston follow in Table 9 below.

Table 9: Boylston Elementary School Per Pupil Expenditures from FY05 through FY07

DOE FUNCTION NAME	FY05	FY06	FY07
Administration	146,306	175,117	167,209
Instructional Leadership	208,387	226,552	273,682
Classroom and Specialist Teachers	1,485,035	1,495,971	1,533,601
Other Teaching Services	306,668	355,835	419,995
Professional Development	51,612	73,026	89,358
Instructional Materials, Equipment and Technology	84,564	71,667	106,673
Guidance, Counseling and Testing	59,505	55,408	70,148
Pupil Services	288,489	328,981	328,827
Operations and Maintenance	210,884	257,937	259,724
Insurance, Retirement Programs and Other	363,632	477,507	464,113
Payments To Out-Of-District Schools	457,221	565,454	526,153
TOTAL EXPENDITURES	\$3,662,303	\$4,083,455	\$4,239,483
Total average membership, in and out of district	395.0	406.8	407.9
TOTAL EXPENDITURE PER PUPIL	\$9,272	\$10,038	\$10,393

Note: State Average Per Pupil Expenditure = \$11,858; average of eight similar (in size and wealth to Boylston according to DOE) districts is \$12,655

The second table below shows the Tahanto per pupil expenditures. In FY07, there were 477 students (including choice in) attending Tahanto. The number used by the department of education is 530.5 (see “average membership” on page 15).

Table 10: Tahanto Per Pupil Expenditures FY05 through FY07

DOE FUNCTION NAME	FY05	FY06	FY07
Administration	271,276	319,342	300,454
Instructional Leadership	366,132	391,747	420,955
Classroom and Specialist Teachers	1,864,273	1,966,677	2,052,933
Other Teaching Services	322,272	324,234	332,971
Professional Development	76,385	79,242	56,992
Instructional Materials, Equipment and Technology	178,468	245,092	273,536
Guidance, Counseling and Testing	286,465	279,137	256,273
Pupil Services	547,140	561,371	571,673
Operations and Maintenance	353,315	369,113	404,831
Insurance, Retirement Programs and Other	786,213	829,490	802,452
Payments To Out-Of-District Schools	1,127,090	1,048,707	1,026,946
TOTAL EXPENDITURES	\$6,179,029	\$6,414,152	\$6,500,016
Total average membership, in and out of district	494.7	511.3	530.5
TOTAL EXPENDITURE PER PUPIL	\$12,490	\$12,545	\$12,253

Source: Department of Education

Note: State Average Per Pupil Expenditure = \$11,858

Therefore, the Boylston Elementary School's per pupil expenditure, according to the Department of Education is \$10,393 which is \$1,465 below the state average and Tahanto's per pupil expenditure is \$12,253, which is \$395 above the state average.

D. Benefits and Insurance Costs

The rapid increase in the cost of health care insurance has been the principal factor contributing to the increase in operational expenses. The Town Administrator notes that insurance and pension costs have been increasing by about 18% per year. Table 7 on page 13 shows that these costs increased by \$658,743 between FY03 and FY09, an increase of 110.3%.

The cost of benefits and insurance for the Regional School (Tahanto) employees is paid by Regional School District. The pension and insurance costs for the Boylston Elementary School and the other Town employees are paid by the Town, and the costs are not attributed to the School Department budget in the general budget tables, primarily so the report can highlight the rapid increase in the costs for this area. However, except for Table 7, all other School Department costs and cost tables do include insurance and benefits.

E. Public Safety Expenses

Before FY03, the Police cruisers were in deplorable condition. Police equipment was obsolete and training was not up to the level the chief felt was necessary. Salaries of the police staff were lower than in surrounding towns, and a lack of officers was causing scheduling problems. In addition, there was a large degree of department staffing turnover.

Since 2003 the Police Department has added one full-time officer. With this additional officer, the Town now provides for two patrols twenty-four hours per day at the request of the Selectmen. Old equipment has been replaced using grant money, and equipment is now subject to a formal maintenance program. The use of part time police officers has been discontinued.

The Fire Department has increased by a net of two people because there is no longer a sufficient number of volunteers available in the Town to meet ambulance or fire calls during daytime working hours. As a result of the added staff, response times, ambulance billings, and inspections have all improved as explained in Section VIII F, page 11.

F. Bonded Indebtedness

As of June 30, 2008, the total outstanding bonded indebtedness was \$5,935,000, representing \$1,400,000 for the Hillside property and \$4,535,000 for the elementary school. The amount of the debt is decreasing by \$565,000 each year, and the interest is decreasing by \$28,000 each year as the principal is paid down. Refinancing of the Hillside debt is not cost effective because of the small amount. Refinancing of the BES debt would require all savings to be refunded to the State.

The State pays Boylston an annual reimbursement of \$474,789 as part of the School Building Assistance program that was in place when the BES was built.

G. Capital Expenditures

The Town has developed a capital spending plan for the consideration of the Selectmen and Finance Committee. The plan, which has not been approved at this time, contains capital projects that have been previously proposed but not yet funded. In normal years, the capital costs are met by using Free Cash, not by appropriations from tax levies, and therefore do not appear in the budget totals. The structural imbalance in revenues and expenses in recent years has caused monies that would normally be available for these projects to be used for school expenses, and Boylston is not replacing equipment and maintaining buildings at the rate which should be expected.

If the Capital plan were to be approved, the cost would be about \$300,000 for the first year with varying but similar costs in succeeding years. Capital projects cannot be avoided indefinitely.

Residents will also note that the largest capital project of all, the renovation of Tahanto, has not been included in the Capital Improvement plan. This is because no quantitative cost information is yet available. Also, the cost for the construction of a new Highway garage is not included in the Capital Improvement Plan.

H. All Other Expenses

Budgets for all other departments are managed by the department supervisors and are submitted to the Selectmen for approval. Staffing and expense levels remained flat, and the costs of maintaining several of these departments have, in fact, decreased. The decrease in the total aggregate cost of these departments has been the result of the annual decrease in interest payments on the town's bonded indebtedness which has more than offset the increases in municipal expenditures.

I. Frequently Repeated Myths about Town Expenditures

Myth: The Town spends too much money on police cruisers.

Fact: The Town of Boylston has not paid for a police car in six years; all new cars have been paid for by Community Policing grants obtained by the Police Department.

Myth: The Town is budgeting funds to renovate the Gough House.

Fact: The Gough House is a separate, non-profit organization which obtains its funds through donations and state aid. No money is allocated to the Gough House by the Town.

Myth: The Town spends excessive money on ambulances and emergency medical equipment.

Fact: All ambulance equipment is paid for by fees collected by the Fire Department for the ambulance services provided. No tax levy funds have been used to pay for this equipment.

Myth: Tahanto spends more money per student than other regional schools.

Fact: This myth arose because many people assumed that the cost per Tahanto student could be determined by dividing the Tahanto budget by the number of students enrolled at Tahanto. The cost per Tahanto student cannot be calculated in this fashion because the sum of costs for all out-of-district students (i.e., vocational, charter and choice out, a total of 38 students) are included in the budget, but the students are not included in the Tahanto enrollment (please see Section IX. C. , page 15, for more information on per pupil expenditures).

X. REVENUES: FY2003 TO FY2009

Total revenues between FY03 and FY09 increased by 37.6%. By far the largest amount of the increase in revenue came from residential taxation. A glance at Table 11: Revenue Trends, shows that tax levies provided 67.3% of revenues in FY03 and provided 71.7% of revenues in FY09. This occurred because State Aid did not keep pace with increasing expenditures and other revenues (such as local receipts attributable to new growth) have likewise fallen from FY03 levels. This caused a shortfall in the receipts needed to balance the budget. Free cash and transfers from funds already in Town accounts made up the difference of \$302,234. This kept taxation within the legal limit imposed by Proposition 2 ½.

Taxpayers approved only one override of \$500,000 in 2005. Another override is a possible solution to the future revenue shortage, but the Committee suspects there will be considerable opposition to any proposal to increase taxes during a time of economic hardship for the taxpayers.

Table 11: Revenue Trends

DESCRIPTION	FY2003 BUDGET	% OF TOTAL IN 2003	FY2009 BUDGET	% OF TOTAL IN 2009	% INCREASE
State Aid Chapter 70	\$477,114	5.4%	\$460,908	3.9%	(3.4%)
State Aid Lottery	\$356,001	4.1%	\$426,309	3.6%	19.75%
State Aid School Construction	\$346,986	4.0%	\$474,789	4.0%	36.83%
Other State Aid	\$58,241	.7%	\$48,376	.4%	-16.94
Local Receipts*	\$1,372,000	15.6%	\$1,597,000	13.6%	16.4%
Tax Levy	\$5,900,979	67.3%	\$8,425,885	71.7%	42.79%
Total Revenues	\$8,512,321	97.1%	\$11,433,267	96.3%	34.31%
Plus Transfers	251,000	2.9%	\$321,000	2.7%	27.89%
Total Sources	\$8,763,321	100.0%	\$11,754,267	100.0%	34.13%

Source: Town Administrator

* Includes Motor Vehicle Excise, fees, fines, etc.

A. State Aid: Chapter 70 School Aid

Chapter 70 State Aid was 5.4% of the total sources of funds in FY03 period, but fell to 3.9% in FY09, a decrease of \$16,206 or a 3.4% reduction, far short of the promised state support. This meant that additional local revenue had to be allocated in order to make up the difference.

When the Education Reform legislation was passed in 1993, the calculation of Chapter 70 for Boylston was comparable to that of some of the wealthiest towns in Massachusetts which includes Weston, Lincoln, East Longmeadow. Consequently, Boylston's Chapter 70 Aid was among the lowest in the state. Although, there have been modifications to the Chapter 70 calculating formula, this low starting point has been carried through to FY09 and as a result, the Chapter 70 Aid for Boylston Elementary School received only 16.7% of the Required Net School Spending. This is below what the State says is the absolute minimum amount they will provide which is 17%. The amount of Chapter 70 funding that the Boylston Elementary School receives is ranked 334 of 375 school districts that receive Chapter 70 Aid (or the 41st lowest in the Commonwealth) and Tahanto's Chapter 70 Aid is ranked 267th (or 108th lowest).

In FY03, Boylston Elementary received \$477,114 in Chapter 70 aid. The very next year in FY04, Chapter 70 was reduced by 20% to \$381,691. The increases to Chapter 70 since then have been very low and in fact, this year's (FY09) Chapter 70 is still less than the amount received in FY03. The FY09 Chapter 70 amount is \$460,908.

B. Lottery Aid

Lottery Aid is provided to help with general town expenses and is not restricted to schools. Lottery aid rose from \$356,001 to \$426,309 during the period. However, the State Treasurer is warning of future decreases in future lottery aid.

C. Local Receipts

Local receipts include various miscellaneous fees, motor vehicle excise taxes, permits, payments in lieu of taxes, and fines. These receipts increased from \$1,372,000 in FY03 to \$1,597,000 in FY09.

D. Local Tax Levies

As stated in several other sections, the principal source of revenues continues to be the real estate tax levy on residential property.

E. Transfers Required to Balance Budget

Since the amount that could be raised by taxes was less than required by the budget, the town had to transfer money from savings (Stabilization) and from free cash to balance the budget.

XI. GRANTS AND USER FEES

There is an important source of revenue obtained by individual departments that does not appear in the Town budgets, but which helps to pay for departmental operations without having to depend upon appropriations at the town meeting. This is the revenue gained from grants, user fees, contributions of labor and materials, and from creative approaches to equipment acquisition. Because the revenue does not come from Town appropriations, it is not visible to most residents. This is unfortunate, because this revenue source has been very important in stabilizing our budget.

Several examples are listed below.

A. Police Department

The Police Department is active and successful in seeking grants. Town meeting attendees may remember that the Police have not made capital requests, as they meet their own requirements from grants. For example, no police cars have been purchased by appropriation of Town funds since 2003. All cars have been paid for from grants that were obtained by the Police Department. The Police Chief reports that grants exceeded \$34,300 every year during the study, with occasional smaller grants for special purposes. The Community Policing grants provided by the State were eliminated from the State budget for FY2010.

B. Fire Department

The Fire Department has been successful in obtaining grants to purchase equipment such as protective gear each year. Furthermore, the Fire Department operates the Town Ambulance service, a service which collects fees (generally from insurance companies) for services provided. These fees pay for the ambulances and equipment, and there is money left over which is normally transferred from Ambulance Receipts to the Fire Department at the Town Meeting. Costs for the Fire department are therefore reduced, although the effect is not obvious when reviewing the budget.

C. Parks and Recreation

Parks and Recreation operates a large program of sports and other activities. User fees are charged and are used to pay operating expenses directly (this is the case for other Town Boards

as well). Parks and Recreation is also extremely effective in obtaining voluntary contributions of labor, professional services, and materials for its projects. As a result of these efforts, Parks and Recreation requires only a modest amount of funding from the Town budget each year.

D. Gough House

The restoration of the Gough house and barn has been primarily funded through grants and from volunteer labor. The Gough House operates as a charitable foundation.

E. Schools

The Berlin Boylston Public Schools have relied on grants to hire additional staffing, purchase instructional materials and provide professional development among other essential needs. In FY08 across the three schools \$426,421 were used from grants to support educational services. In Boylston Elementary, \$122,327 grant funds were used and for Tahanto, \$174,394 in grant funds were used.

The Boylston Elementary School preschool program is tuition-based for regular education students and the afternoon kindergarten is also a tuition based program. In addition, in FY09 a before school fee-based program was started with the intent of expanding the numbers and possibly extend to an afterschool program.

The schools have instituted many fee or tuition based programs to generate additional revenue. They have applied for grants, and enrolled school choice-in students to obtain tuition payments. In the BES, 17.9% of the salaries are paid by these programs. For Tahanto, 24% of the salaries are paid by these programs (source: School Department).

Tahanto collaborates with West Boylston to provide opportunities for athletics that would otherwise be too costly or not feasible to fund. Soccer, football, cross county track, hockey and field hockey all benefit from this partnership with West Boylston.

Additionally, the school administration has begun to communicate with neighboring school districts to determine the viability of collaborative purchasing and sharing of services. At this point, this includes special education programming and transportation, professional development and collaborative purchasing.

XII. CONCLUSIONS FROM THE ANALYSIS OF FY2003 TO FY2009

The Committee did not discover critical instances of wastefulness or extravagant spending, and concluded the quality of town services was reasonable to good.

The Town population has remained stable, with a trend toward more senior citizens and fewer children per household. Growth in new construction and in commercial construction has virtually ceased, and the normal sources of new revenue are at a low level and declining.

The combined student populations of BES and Tahanto have grown only by 19 students, but there has been an increase of 21 Boylston students who are currently attending out of district schools at Town expense. This is an important and costly trend because a student leaving a district school does not create any saving for the district school. The State law requires that the

School Department pay for the education of all residents attending schools supported by public funds (e.g., Assabet Vocational).

The assessment of the Tahanto budget between Berlin and to Boylston has changed because Berlin has been sending fewer students to Tahanto. This increased the Boylston budget but reduced the Berlin budget in recent years, though the current year now shows a return to the customary level.

Excluding the School Department, Town staff increases have been held to a total of 3.5 FTEs for the period. Town departments have been level funded for several years, except for the increase in the cost of insurance and benefits as well as increases in energy costs.

The schools seem to be providing a sound educational program as evidenced by MCAS scores and admissions to colleges or other advanced schools. School costs have increased by about \$1,791,000 or about 38%, and the percent of the total Town budget allocated for the schools has also increased from 52.7% in FY03 to 56.6% of the total in FY09. The principal causes of this increase are due to mandated SPED programs, an increase in the number of out-of-district students for whom we have to pay tuitions, contractual pay raises and step raises, the variation in the Boylston/Berlin assessment of Tahanto costs, insurance, and energy costs. The effects of the increases in school costs were made more painful because at the time the state mandated expenditures increased when Chapter 70 State aid decreased. Tax levies (91% of which were levied on residential property) had to be increased to the maximum 2.5% since 2004 to try make up the difference. For several years, it was also necessary to use transfers from other existing funds as a source of revenue.

The Town of Boylston faces a structural deficit. A structural deficit is usually described as a long term imbalance between revenues and expenses that is not likely to be resolved without significant actions by a town to increase revenues or decrease expenditures. Boylston has a structural deficit because of low amount of commercial property, a decline in new home construction, a reluctance to approve overrides, and increasing school and insurance costs. Budgets have increased an average of \$400,000 per year between FY03 and FY09, while the average increase in revenues was \$300,000 per year during the same time period. The difference was covered by the use of free cash and transfers from money set aside for other purposes. We have now used up most of the readily available funds and must take aggressive action to solve this structural imbalance.

The present levels of taxes and employment cannot be maintained, especially in view of decreasing State aid and the lack of new construction, and changes must be made in order for Boylston to be prepared for difficult times in the next several years. The following sections discuss revenue and expenditure forecasts the next two fiscal years.

XIII. REVENUE AND EXPENSE FORECASTS FOR FY2010 TO FY2011

A. How the Revenue Forecast Is Determined

The factors the Finance Committee uses to forecast the revenues are:

Proposition 2 ½: The real estate tax levies can be increased by 2 ½% per year. On a budget year for which the previous year's real estate tax levy was \$8,000,000, the Proposition 2½ increase would be \$200,000, bringing the new maximum real estate tax levy to \$8,200,000.

New Growth: New growth is the amount of new taxes received from new houses and other renovations that were not on the tax rolls during the previous year. Typically, this amounts to \$100,000 per year, but it is less now that there are fewer new houses being built.

Personal Property Taxes (Motor Vehicle Excise, etc.): Typically this amount would increase by as much as \$20,000 above the previous year, but it is anticipated to be somewhat lower now as the number of new cars purchased is declining.

State Aid: In recent years the amount of State Aid has increased every year by a small amount, but, in the case of Chapter 70, the increases are far from enough to cover the cost of the services mandated by the State. The Governor has indicated that towns will be level-funded for Chapter 70 aid in FY2010. In the case of Chapter 70 funds, the increases are far from enough to cover the services that schools are required to provide.

The Finance Committee has normally recommended that 50% of the increased revenue be allocated to the Town, and 50% to the Schools, or \$150,000 each as the maximum that could be provided without an override or drawing down free cash. The school department has indicated this amount has not been enough to cover the increased expenses and have requested additional funding.

B. The Revenue Forecast for 2010

The Town's total revenue is comprised of numerous sources, some of which are included in the preliminary revenue estimate featured in Table 12. Other financing sources, such as revolving accounts, ambulance receipts, etc. are omitted. The projected reduction in State aid, combined with an expected reduction in new growth, results in less than 2% growth in revenues.

Table 12: FY2010 Revenue Estimate

Estimated Revenues	FY09	FY 2010 Level Funded	Dollar Change
Tax Levy	8,588,682	8,844,384	255,702
Abatements	-162,797	-110,000	52,797
Cherry Sheet Net	1,475,406	1,348,495	-126,911
Local Receipts	1,597,000	1,562,000	-35,000
Total Funds	\$11,498,291	\$11,644,879	\$146,588

Table 13: Revenue Forecast

FY2009 Revenue Plan	\$11,498,291	Town Accountant's Records
Change for FY2010	\$146,588	See above
FY2009 Plan + Change	\$11,644,879	Revenue Estimate for FY2010

C. How the Expense Forecast Is Determined

The expense forecast is a detailed and complex task requiring seven pages of tiny, size 8 type, and this does not include any detail on the School Department, which prepares its own three inch thick book of budgets. However, the majority of the Town budget categories have been kept at level funding for recent years, so the totals will not change from year to year. Therefore, the Committee has simply taken the budgets for 2010 (published as "Town of Boylston Proposed FY10 Budgets") and assumed that no increases except for insurance and benefits will be permitted for 2010. Insurance and benefits estimates have increased by \$66,785 since the FY10 budget was published.

D. The Budget Forecast for 2010

The budget forecast for 2010 is \$11,264,726 (best case) and these numbers are based on a level funded program in the Town and School budgets plus the required increases in insurance and benefits. The copy of the budget used for this report is dated February 6, 2009.

E. Anticipated New Funds for FY2010

Total Revenues	\$11,644,879	see Table 13
Total Budget	\$11,264,726	see D above

The above numbers projects that the Town could possibly more than meet its FY2010 budget provided the School Committee can maintain a level funded expenditures.

This is an optimistic forecast, and past experience suggests that estimates of cost tend to increase and estimates of revenue tend to decrease as time passes. There will no doubt be many changes and adjustments during the coming budget negotiations.

F. Several Risks in Budget

State Aid: The amount of State aid in the revenue budget is based on the recently released FY2010 Cherry Sheet Estimate. The final estimates are issued in June, 2009.

Schools: This budget presumes an adoption of a level funded school budget by the school committee. There is a risk that the schools may not be able to achieve this, and an override or painful staff reduction could therefore become necessary. The schools account for the largest amount of Town spending (56.6% plus benefits for the BES staff) and the greatest number of employees (77.7%). Therefore, it is inescapable that the schools will be the most affected by any cuts.

Special Education: The Town is required to provide mandatory services for any SPED student moving into Town. This could be as much as \$200,000 to \$300,000 per year for a single student. If this occurs, the School has no option but to cut programs or services.

XIV. RECOMMENDATIONS FOR FUTURE

A. Find New Sources of Revenue

Short Term Sources of Additional Revenue:

- All user fees, including fines, should be reviewed and increased wherever fair and reasonable to do so.
- Grants should be pursued vigorously and creatively. For example, there may be opportunities for beneficial projects in the emergency public works programs being proposed by the federal government.
- The town should seek to rent any unused Hillside office space, such as the lower level area that was to be rented to the Mass Criminal Justice Training Academy.
- The Town owns many small parcels of property that might be sold, and there are six or seven which do appear saleable. These might be offered for sale, and be sold whenever a reasonable price was offered.

Our legislators are normally willing to help the Town get its appropriate share of State benefits. Department heads should keep our legislators fully informed about progress and problems in Boylston, especially about the small amount of Chapter 70 aid the present formula calculates for Boylston.

Long Term Sources of Additional Revenue

Commercial Development is the only promising source for long term revenue enhancement, but this source will be successful only if the Town makes a deliberate and continuous effort to encourage commercial development.

- Solicit Commercial Projects for Areas Already Zoned for Commercial Development.
- Rezone Certain Areas of Hillside Property for Commercial Development.
- Look for 40b 55+ Housing Projects.
- Create Citizen Run Business Development Team.
- Complete and Carry Out a Hillside Development Plan.
- Create Fast Track Permit Processing Policy (done 12/08/2008).

- Pursue and Improve the Hillside Development Plan.
- Try to find a commercial development for the Pop Warner field at the corner of Route 140 and Route 70.
- Continue to sell excess Town property as long as we can get reasonable prices.
- Encourage our legislators to be active partners in our planning process.
- The Town should seek changes in the Chapter 70 legislation.
- Boylston must make attractive concessions such as Tax Increment Financing (TIF) to compete with other towns for commercial development projects

B. Make Expense Reductions

Short Term Expense Reductions

- Renegotiate insurance co-payments and cost sharing (in process)
- Seek voluntary cooperation from unions for delaying pay increases
- The office of the Building Inspector could be reduced from a full time position to a part time position which would result in a decrease in expenses in that department.
- Postpone low priority capital projects (such as Town office basement repair), although this is generally regarded as poor practice because the projects do not go away, they simply add to a project backlog.
- Reexamine the need for full time legal representation during Selectmen's meetings.
- Discontinue the use of consultants to prepare studies in favor of citizen preparation of these reports. This would save money and increase the probability that there will be follow-up action by the citizen team.

Long Term Expense Reductions

- Investigate savings through joint purchasing and cost sharing ventures.
- Sell surplus buildings and Town owned property.
- Undertake a partnership with our Legislators and keep them informed about problems and inequities in State aid.

XV. 2010 BUDGET YEAR

The forecasting process described above suggests that there is a possibility of achieving a balanced budget and avoiding a request for an override.

\$504,000 if funded at FY09 levels (“level-funded”)

or

A shortage of approximately \$467,000 if the Schools ask for level services (an additional \$858,000)

If a shortfall is the case, it will be necessary to increase revenues or decrease expenditures by a large amount. There can be no escape from this.

A. If an Override is Proposed

The short term revenue and cost reduction possibilities noted above should be made before deciding on the amount of the proposed override.

No staff increases should be allowed.

Pay increases should be eliminated or renegotiated.

The possibility of pay reductions in exchange for a no-layoff promise should be explored.

Any increases in total budget from last year need to be reviewed except for uncontrollable costs that are unavoidable.

The net shortfall after making the above savings will be the override amount.

If an override is chosen, the future Tahanto renovation project override may be jeopardized (but consider the Hillside development plan as a potential way to help pay for the school renovation project in the future).

B. Reduction in Services

If the requested override does not pass, the apportionment of the reductions will be difficult. A possible formula is proposed below.

Determine those expenditures that cannot be reduced.

Debt Payments, health care for retirees, state mandated programs, SPED, tuition for out-of-district students, etc.

Determine those expenditures that will be difficult to reduce.

Energy, repairs, salary rates, health cost sharing

Determine expenditures that can only be affected by staff reductions.

Health care, pension payments, existing contracts, salaries

A possible method of determining future reductions in the budget might be: to first take the last budget amount and remove the costs that are absolutely non-controllable and remove those costs that are difficult to control. The resulting items are those that should be reviewed and potentially reduced.

XVI. REVENUE STUDY COMMITTEE RECOMMENDATION

The Committee feels the town should prepare itself for an economic decline by reducing expenditures wherever possible, and by seeking additional sources to increase revenues. If budgets are not reduced by a sufficient amount, the Town cannot generate enough revenues to cover the expenses. The only alternative solution would be to propose an override. An override, however, seems unlikely to be approved by the voters in these economic difficult times. If an override is proposed, a sensitive issue could arise if the unions are perceived by the public as being unwilling to share in any concessions.

The Committee strongly recommends that budgets that reflect level or near-level expenditures be required of all departments. This has already been accomplished, though with some resistance, by all of the town departments. If a conservative approach to spending can be achieved, the town should be able to fund the budgets (barring a complete collapse of State aid) even in view of the cuts in aid and reductions in new building growth. The Committee hopes that the economic crisis will diminish by next year, and as a result will permit a more normal approach to Town spending in succeeding years. If not, next year will be a very difficult year and painful reductions will be necessary. The Committee hopes that the Town can avoid laying off employees, for this not only causes great hardship on the affected employee, but it will also make it difficult to rebuild our departments when economic conditions begin to improve.

For the medium and long term, the Committee has two principal recommendations:

1. Undertake and actively pursue a program of commercial development on Town-owned property with a team of Boylston residents who are committed to a continuing and intensive effort to generate new tax revenues.
2. Devote more attention to the School Department expenditures which account for 55-60% of the Town's expenditures. The School Department has recently been working more closely with the Town than any time in the past few years, and this new cooperation should be fostered and made even stronger.

XVII. APPENDIX A: TERMS USED IN MUNICIPAL FINANCE

Level Funding

Level funding means that last year's total budget expenditure remains level for the coming fiscal year. In a period of increasing costs, reductions in services must be expected if the budget is to be kept at the same level each year.

Level Services

Level Services means that no new programs or services will be added for the coming fiscal year.

Structural Deficit

A structural deficit is a frequent or continuing deficit that will not be eliminated until some major change in taxing is approved, or until significant reductions in expenditures are made.

Mandated Expenditures

Cities and towns are required by State law to provide certain services to town residents, including providing educational services. There are also state and federal laws that identify specific kinds and levels of services that towns are responsible for funding. For example towns must provide tuition for students who choose to attend vocational schools or who are determined to need particular educational services because of special needs or because their primary language is not English. The State may or may not reimburse the towns for the cost of these services, or the State may increase or decrease the reimbursement contingent on the amount of money available to fund the State budget.

State Aid to Schools (Chapter 70)

The Education Reform Act of 1993 included legislation that calculates the amount of State Aid provided to towns for education. This is referred to as Chapter 70 Aid. The amount of Chapter 70 Aid each district receives is determined by the Department of Education (DOE) and is based on the DOE's calculation of what the minimum amount of spending each school district must apply to education. The formula was developed in 1993 and now the only variable used to modify the amount is student enrollment. If student enrollment increases there is the possibility that Chapter 70 Aid will increase. The state then determines how much each community should spend on education. Next, the state determines how much it can afford to pay for the education of its students and the difference is the amount the state contributes which is identified as Chapter 70 Aid.

The amount for each coming year is disclosed on the annual notification of State Aid to be given to the towns on the report known as the "Cherry Sheet." If Chapter 70 State aid monies are reduced, the towns must either increase taxes to compensate for this loss, or reduce school services in areas in which the services are not mandated.

State Aid: Cherry Sheet

The important details concerning the actual amounts of State aid to be provided for the coming fiscal year are delivered to the towns on a report (originally delivered on pink colored paper)

called the Cherry Sheet. The Cherry Sheet is scheduled to be delivered to the towns in the Spring of each year, before the annual town meeting, because these amounts are necessary for the preparation of the town budgets that are considered at the town meeting. In recent years, the Cherry Sheet has been delayed in its delivery to the Town. As a result of the protracted budget negotiations in the State Legislature, the Cherry Sheet often arrives after the town meeting has been concluded, which leads to speculation in the amount actually allocated to the Town by the State.

Free Cash

Free cash is unspent money left over from the prior fiscal year. There will normally be some amount of free cash available since some anticipated expenses do not occur. Free cash varies from year to year and normal practice is to use free cash for one time expenditures rather than to commit the money to pay ongoing operating expenses such as salaries, etc.

Reserves

The Finance Committee budgets about \$50,000 to pay for unexpected town expenses each year without the need to seek approval at a Special Town Meeting.

Stabilization

Most towns reserve money into a “rainy day” fund for future projects or for large, non-repetitive expenses. For example, Boylston had to place money into Stabilization for several years in anticipation of a final settlement for the purchase of the Hillside property. When the final settlement was made, most of the money had already been set aside in anticipation of this settlement and as a result there was no need to raise a large amount of money at the town meeting.

School Programs (e.g. School Choice, Charter, Vocational Schools please refer to Section V. D.)

Proposition 2 ½ and Overrides

Proposition 2 ½ limits the amount by which a town can increase the amount of real estate taxes to be collected for the coming year compared to last year’s real estate taxes plus 2 ½%, plus the taxes on any new houses and commercial property. If town meeting attendees vote to approve an amount that is greater than the permitted amount, the voters must approve an override as described herein.

Override

An override is for a specific amount of money in addition to the 2 ½ tax increase which is permitted. This will become a permanent increase in the taxes each year.

Debt Exclusion

A debt exclusion is an override for a limited time period, typically used for large capital projects for which money must be borrowed. The amount of the debt excluded from the proposition 2 ½ taxable maximum is reduced every year by the amount of payments made against the amount borrowed, until the debt has been reduced to zero. A debt exclusion is ultimately paid off and no longer exists.

New Growth

Under normal circumstances, a town can expect that new housing development, home renovations, and new commercial property will be constructed. The amount of the taxes from new construction each year is called new growth, and new growth adds to the permissible taxes after the Proposition 2½ limit has been applied. New growth is a principal source of increased revenues.

Fiscal Year

The towns and the State keep their books on a fiscal year basis. The fiscal year starts on July 1 of each year and ends on June 30 of the following year.

Appropriations and Available Funds

Expenditures are normally met from money “appropriated” at the Town Meeting. This means that the money will come from the taxes raised. Money may also come from the various savings or rainy day accounts or from free cash. These funds are referred to as “available funds in the treasury.”